

Message Text

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15

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-04 H-02 INR-07 L-03 NSC-05 PA-01

PRS-01 SP-02 SS-15 SAM-01 AID-05 CEA-01 COME-00 EB-07

FRB-03 CIEP-01 STR-04 TRSE-00 LAB-04 SIL-01 OMB-01

DHA-02 ORM-01 /084 W

----- 017145

O R 071018Z OCT 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 9697

INFO ALL EC CAPITALS 1160

AMEMBASSY LISBON IMMEDIATE

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E.O. 11652: NA

TAGS: PFOR, EAID, PO, EEC

SUBJECT: EC FOREIGN MINISTERS COUNCIL OCTOBER 6-7: FIRST DAY'S
DISCUSSIONS ON PORTUGAL

1. BEGIN SUMMARY: THE EC COUNCIL OF FOREIGN MINISTERS,
MEETING IN LUXEMBOURG ON OCTOBER 6, DECIDED TO OFFER
150 MILLION UNITS OF ACCOUNT (APPROXIMATELY \$175 MILLION)
IN FINANCIAL ASSISTANCE FOR PORTUGAL FOR THE PERIOD
JANUARY 1, 1976 TO DECEMBER 31, 1977. THIS ASSISTANCE IS TO
BE IN THE FORM OF LOANS MANAGED BY THE EUROPEAN INVESTMENT
BANK (EIB) USING FUNDS OBTAINED ON THE COMMERCIAL MARKET.
THE LOANS, WHICH WILL BE FOR SPECIFIC DEVELOPMENT ASSISTANCE
PROJECTS, MAY RUN FOR UP TO TEN YEARS AND WILL CARRY AN
INTEREST RATE OF 6.5 PERCENT. THE APPROXIMATE THREE PERCENT
INTEREST RATE SUBSIDY AND THE COMMUNITY'S GUARANTEE OF THE
LOAN ARE TO BE FINANCED FROM THE EC BUDGET. PORTUGUESE
FOREIGN MINISTER ANTUNES, LEARNING OF THE COUNCIL DECISION
ON ARRIVING IN LUXEMBOURG FOR HIS MEETING WITH THE
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FOREIGN MINISTERS, SAID THAT THE DECISION WAS "AN

ENCOURAGING POLITICAL GESTURE" AND "PROOOF OF THE CONFIDENCE OF THE EC IN THE NEW PORTUGUESE GOVERNMENT." END SUMMARY.

2. AID FOR PORTUGAL: THE EC COUNCIL OF FOREIGN MINISTERS ON THE FIRST DAY OF ITS TWO-DAY SESSION IN LUXEMBOURG OCTOBER 6-7 AGREED THAT THE COMMUNITY SHOULD UNDERWRITE LOANS TO PORTUGAL TOTALING 150 MILLION UNITS OF ACCOUNT (U.A.) WHICH WOULD BE DISBURSED IN 1976-77. THESE LOANS WILL BE RAISED ON THE OPEN MARKET BY THE EUROPEAN INVESTMENT BANK AT AN EXPECTED INTEREST RATE OF APPROXIMATELY 9.5 PERCENT, AND WILL BE MADE AVAILABLE TO THE PORTUGUESE FOR SPECIAL ASSISTANCE PROJECTS FOR PERIODS OF UP TO TEN YEARS AT 6.5 PERCENT. THE THREE PERCENT INTEREST RATE SUBSIDY AND THE GUARANTEE FOR THE PRINCIPAL ARE TO BE PLACED IN THE EC BUDGET. EC COMMISSIONER CHEYSSON ESTIMATES THAT THE INTEREST RATE SUBSIDY WILL AMOUNT TO ABOUT 30 MILLION U.A. (\$35 MILLION) FOR THE DURATION OF THE PROGRAM.

3. PORTUGUESE REACTION: PORTUGUESE FOREIGN MINISTER ANTUNES, WHO LEARNED OF THE COMMUNITY'S DECISION SHORTLY AFTER HIS ARRIVAL IN LUXEMBOURG LATE ON OCTOBER 6 FOR HIS OCTOBER 7 MEETING AND LUNCHEON WITH THE EC FOREIGN MINISTERS, TERM IT "AN ENCOURAGING POLITICAL GESTURE". ANTUNES SAID THAT "PORTUGAL NEEDS MUCH MORE BUT THIS IS SOMETHING FOR A START TO HELP STRENGTHEN LINKS BETWEEN THE EC AND PORTUGAL." HE FURTHER TERMED THE COMMUNITY'S ASSISTANCE EFFORT "PROOF OF THE CONFIDENCE OF THE EC IN THE NEW PORTUGUESE GOVERNMENT." DISCUSSING THE PORTUGUESE POLITICAL SITUATION, ANTUNES SAID THAT THE PRESENT GOVERNMENT WAS THE ONLY GOVERNMENT CAPABLE OF GUARANTEEING DEMOCRACY IN PORTUGAL AND THAT A MAJORITY OF MILITARY OFFICERS FAVORED THE PRESENT GOVERNMENT.

4. BILATERAL AIDS TO PORTUGAL: THE FOREIGN MINISTERS AGREED TO THE COMPILATION OF AN "INVENTORY" OF BILATERAL FINANCIAL ASSISTANCE MEASURES TO PORTUGAL. TO BE INCLUDED IN THE INVENTORY WOULD BE THE APPROXIMATELY 70 MILLION DMS IN BILATERAL ASSISTANCE FROM THE FRG AS WELL AS PROGRAMS OF THE OTHER MEMBER STATES.

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5. ANGOLAN REFUGEE ASSISTANCE: THE FOREIGN MINISTERS BRIEFLY DISCUSSED POSSIBLE ASSISTANCE TO ANGOLAN REFUGEES. NO DECISIONS WERE TAKEN BUT IT WAS AGREED THAT THE MEMBER STATES SHOULD CONTINUE THEIR EFFORTS TO COORDINATE SUCH ASSISTANCE VIA THEIR AMBASSADORS IN LISBON.

6. ANTUNES MEETING: ANTUNES WILL MEET WITH THE EC

FOREIGN MINISTERS ON OCTOBER 7 PRIOR TO A JOINT PRESS
CONFERENCE AND LUNCHEON. HE IS EXPECTED TO MAKE A FORMAL
REQUEST FOR COMMUNITY ASSISTANCE AND THE COMMUNITY IS
EXPECTED TO PRESENT HIM WITH THE DETAILS OF THEIR
OCTOBER 6 DECISION. IN ADDITION, ANTUNES IS EXPECTED TO
HAVE BILATERAL MEETINGS WITH FRENCH FOREIGN MINISTER
SAUVAGNARGUES AND GERMAN FOREIGN MINISTER GENSCHER. GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINISTERIAL MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU08967
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750347-0749
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751075/aaaacoxy.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2003 by ShawDG>; APPROVED <28 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC FOREIGN MINISTERS COUNCIL OCTOBER 6-7: FIRST DAY'S DISCUSSIONS ON PORTUGAL
TAGS: PFOR, EAID, PO, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006